



Postal Regulatory Commission
901 New York Avenue NW
Suite 200
Washington D.C. 20268
RE: Docket No. RM2017 - 3

Dear Postal Regulatory Commissioners:

This letter is respectfully submitted on behalf of the ANA Nonprofit Federation, an organization of nonprofit organizations and agencies within the Association of National Advertisers that serves the nonprofit sector with an interest in preserving affordable postal rates for organizations. This letter is submitted to shed light on the impact this rate-setting proposal will have specifically on nonprofit organizations.

The nonprofit sector we represent is a vital component of our society. According to the Urban Institute's National Center for Charitable Statistics, approximately 1.56 million nonprofits were registered with the Internal Revenue Service in 2015, an increase of 10.4 percent from 2005. (This does not include numerous religious organizations that are exempt from filing with the IRS.) The nonprofit sector contributed an estimated \$985.4 billion to the US economy in 2015, comprising 5.4% of the US's Gross Domestic Product.

Further, the nonprofit sector employs approximately 10.2% of private sector employment (U.S. Bureau of Labor Statistics, 2018) with nearly 12.3 million jobs in nonprofit organizations in 2016; it derives over \$427 billion annually in donations, corporate donations and governmental support (according to Giving USA 2019), and it serves the under-served in every part of the United States through these organizations' ability to communicate locally and through the United States Postal Service carrier routes.

Our Federation includes universities, children's hospitals, religious organizations, animal rights organizations, museums and countless other organizations as members. The positive impact they bring is vast – for example, there is the incredible amount of volunteer time given to provide extremely valuable help to everyday citizens. The Urban Institute reports that over 25% of US adults volunteered in 2017, contributing an estimated 8.8 billion hours to assist others, and the value of these hours is approximately \$195 billion.

Postal service remains incredibly important to nonprofit organizations and their future. Despite the disruptive changes in the ways in which the public is communicating through digital media and social media platforms, the nonprofit sector remains heavily reliant on the United States Postal Service for the following key services:

- to deliver appeals seeking donations for causes that enrich lives in every community;

- to receive donations and other means of support from generous members of the public;
- to help organizations articulate and keep the public, donors and supporters informed about issues relevant to causes they are interested in or may wish to become involved in, some may be life-saving messages that offer information about disease prevention or messages of hope from religious organizations. In fact, the ability to reach new donors is one reason the nonprofit sector counts on the USPS . This critical outreach allows the sector to grow.

As such, the USPS is an incredibly important communications channel and federal agency supporting the organizations, providing the so-called “last-mile” to homes and businesses that help our sector and making society better. There are countless stories of the USPS partnering to help local communities and organizations to serve others, and we value this partnership.

Consequently, affordable postal rates remain a primary concern for organizations that have little funding to spare. They count on scarce funding from public support rather than for profit revenue. We have provided testimony and comments over the years as part of the ANA, including in this Docket RM2017-3. In the past the Direct Marketing Association, which later became the Data Marketing Association and was acquired by the ANA in 2018, has supported policies and financial reforms that were directed to help the USPS to remain as one of our most vitally important federal agencies while also maintaining affordable rates.

We have supported the current price-setting system due to the certainly it brings to the system and the resulting efficiencies for mailers and for the USPS. Over the years, nonprofit organizations have seen rate-increases that are predictable (with some exceptions such as the recent ‘exigency case’.) Such certainty and consistency allow organizations to grow their missions and serve their constituencies.

But the past several years was difficult due to the onerous financial burden placed on the USPS - the unusual requirement that the USPS must “pre-fund” benefits for its employees. As ratepayers, this means that organizations must pay for this requirement since the USPS does not receive tax-dollars. All mailers must bear the burden of this pre-funding requirement established by Congress in the postal reform law.

We are supportive of sensible legal changes that will ensure the USPS is no longer burdened with this set of pre-funding requirements, and yet this issue is not advancing as it should.

In Docket Number RM2017-3, the PRC is proposing a new rate-setting system that would include pricing formulas for Market Dominant products (including nonprofit mail) based on a new mechanism that targets factors such as declining mail volume density and statutorily mandated amortization payments for retirement costs that would require rates to increase above and beyond the current Consumer Price Index for mailers.

We are alarmed that, as a result, the PRC has issued a new rate-setting proposal that could backfire and hurt not only ratepayers with dramatically higher rates but will also reduce the mail volume and lessen overall revenue over time.

This will lead to the “death spiral” of the USPS that the PRC and policymakers have articulated over the years as the key reason for change, particularly when the Postal Accountability and Enhancement Act

“PAEA” went into effect. Unfortunately, this proposal advances the death spiral that higher rates will cause.

If this proposal is adopted by the PRC as the new rate-setting methodology, nonprofit mailers can expect to pay ever-increasing rates higher than the CPI rate, leading to less ability to mail, less nonprofit mail outbound and less inbound donations leading to decreased mail volume. We estimate the rate increase could be as high as 40% in total over the next five years if this proposal moves forward – at a time when digital audience continues to grow and shift the public away from the mailbox.

This new proposal negates the CPI rate-setting system by leading to incredibly high rates, well-past the current CPI. In addition to negating the benefits of the CPI for predictable and affordable rates for mailers, such pricing will lead to the further erosion of the USPS, which is already losing billions of dollars annually due to its required pre-payment of employee benefits.

As we have stated in past filings, “Developing a system that improves on the current system, better meet and balance each of the objectives of the PAEA and complies with the statutory requirements of PAEA will require further study and a collaborative process.” (*Reply Comments filed March 30, 2018, by Alliance of Nonprofit Mailers, ACMA, Association for Postal Commerce, Data & Marketing Association (and its Nonprofit Federation), IDEALLIANCE, and MPA, the Association of Magazine Media, page 6.*)

We appreciate the opportunity to provide comments in this proceeding. We sincerely hope that the PRC understands the value the nonprofit sector represents to our society and does not move forward with this proposal. It will undercut one of the core reasons that the USPS is in existence, one premised on an affordable postal rate that provides a public service for each community it serves.

Congress did not intend the USPS to deviate from its obligation to serve the public - including charities and those that work on charitable causes -by raising rates over the CPI. The impact of this proposal would lead to a devastating result for our nation’s charitable sector and the good work underway will be reduced, adversely affecting the public at large.

As a result, we urge this proposal to be set aside in favor of retaining the current CPI postal rate-setting system and its underlying rate-setting requirements, and we are eager to work in collaboration with the PRC and others on a long-term solution that keeps the mail rates affordable for the future.

Respectfully submitted,

A handwritten signature in cursive script that reads "Senny Boone".

Xenia “Senny” Boone, Esq.

SVP, ANA Nonprofit Federation